TRANSPORTATION PARTNERSHIPS FUND

FINANCIAL STATEMENTS

For the Year Ending March 31, 2014

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Transportation Partnerships Fund, which comprise the statement of financial position as at March 31, 2014, and the statement of operations and change in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Transportation Partnerships Fund as at March 31, 2014, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 10, 2014

Judy Ferguson, FCA
Acting Provincial Auditor

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TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2014	2013
Assets		
Current Assets:		
Due from General Revenue Fund (Note 3)	$ 9,348,362	$ 8,230,222
Accounts Receivable	425,746	326,382
	$ 9,774,108	$ 8,556,604
Long Term Assets:		
Loans Receivable Less Concessionary Allowance (Note 6)	1,978,179	2,038,253
	$ 11,752,287	$ 10,594,857
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	$ 3,253	$ -
Deferred Revenue	4,800	-
Total Liabilities	$ 8,053	$ -
Net Assets (Statement 2)	$ 11,744,234	$ 10,594,857

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
For The Year Ended March 31

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Transportation Partnerships Agreements	$ 700,000	$ 1,609,967	$ 1,552,230
Interest Revenue (Note 3)	35,000	90,840	87,372
Amortization of Loan Discount (Note 6)	98,000	90,859	103,872
Other Revenue	17,000	90,758	33,280
Total Revenue	$ 850,000	$ 1,882,424	$ 1,776,754
Expenses			
Highway Improvement Projects (Note 4)	$ 800,000	$ 658,047	$ 1,469,640
General Transfers	-	25,000	
Technology Manufacturing Costs	-	-	9,542
Administrative Expenses (Note 4)	50,000	50,000	50,000
Total Expense	$ 850,000	$ 733,047	$ 1,529,182
Surplus for the year	$ -	$ 1,149,377	$ 247,572
Net Assets, beginning of year	10,594,857	10,594,857	10,347,285
Net Assets, end of year (Statement 1)	$ 10,594,857	$ 11,744,234	$ 10,594,857

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2014	2013
Cash flows from (used in) operating activities:		
Cash Receipts From Transportation Companies	$ 1,516,532	$ 2,726,325
Cash Receipts From Other Revenue	90,758	(109,748)
Cash Receipts From Short-Line Railways	150,933	241,067
Interest Received	89,711	85,177
Cash Paid For Highway Improvement Projects	(654,794)	(1,565,429)
Cash Paid For Manufacturing Costs	-	(9,542)
Cash Paid For General Transfers	(25,000)	-
Cash Paid For Administration	(50,000)	(50,000)
Net Increase in cash	$ 1,118,140	$ 1,317,850
Due from General Revenue Fund, beginning of year	8,230,222	6,912,372
Due from General Revenue Fund, end of year	$ 9,348,362	$ 8,230,222

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

1. Authority and Definition of Entity

The Transportation Partnerships Fund (Fund) was established effective July 1, 1997 pursuant to Section 8 of *The Highways and Transportation Act, 1997*. The purpose of the Fund is to generate revenues to be used for highway improvement projects. The Fund generates revenues subject to the terms of trucking partnership agreements in which the transportation companies pay the Fund a portion of cost savings achieved from being able to haul overweight and/or over-dimension loads. Additional revenues are raised through issuing permits and the marketing of transportation related technology and expertise.

The Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards. The Fund maintains a system of accounting and administrative controls to ensure that accurate and reliable financial statements are prepared and to obtain reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are maintained.

Treasury Board approves the Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by the Treasury Board.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Fund is classified as an "other government organization". The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board. Because the Fund has no non-financial assets, net assets at the beginning and end of the year equals accumulated surplus for the same period. The Fund did not have any re-measurement gains and losses, therefore, a statement of re-measurement gains and losses has not been provided. The following accounting principles are considered significant:

a) Revenue recognition –
   I. Transportation Partnerships Agreement revenue - recognized in the period the truck haul savings and fees are realized.
   II. Transfers are recognized as revenue when the Fund has met the eligibility criteria, if any, and a reasonable estimate of the amount can be made.

b) Revenue –
Pursuant to Transportation Partnership Agreements with transportation companies, a portion of revenue received is used for highway improvement projects on specified highways.

c) Use of estimates –
These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

d) Financial assets and liabilities –
The Fund's financial assets and liabilities include due from General Revenue Fund, accounts receivable, loans receivable, accounts payable and deferred revenue. These financial instruments are valued at amortized cost.

3. Due from General Revenue Fund

The monies of the Transportation Partnerships Fund are deposited in the General Revenue Fund. Under this arrangement, earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate and the Transportation Partnerships Fund's average daily bank account balance. The effective interest in the year was 1.02% (2013 – 1.09%).

4. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown agencies that the Government jointly controls or significantly influences. These transactions are in the normal course of operations and are recorded at agreed upon exchange amounts.

Expenses – Administration	**2014**	**2013**
Ministry of Highways and Infrastructure	$ 50,000	$50,000

Revenues – Transportation Partnerships Agreements	**2014**	**2013**
L & M Wood Products Limited	$ 21,794	$25,246
Meadow Lake OSB Limited	31,770	3,809
Ministry of Highways and Infrastructure	2,200	6,033
Mistik Forest Management Ltd	68,078	75,458
SGI	122,038	75,000
Total	$ 245,880	$ 185,546

Accounts Receivable	**2014**	**2013**
L & M Wood Products Limited	$ 17,410	$ 12,374
Meadow Lake OSB Limited	124	3,014
Ministry of Highways and Infrastructure	-	3,833
Mistik Forest Management Ltd	1,041	11,273
Total	$ 18,575	$ 30,494

Highway improvement projects undertaken by the Fund are repairs and betterments to assets of the Ministry of Highways and Infrastructure. Projects of a capital nature totaling $592,177 (2013 - $1,396,730) were transferred by the Fund to the Ministry. The Ministry records and amortizes these assets based on Ministry capitalization policies and thresholds.

5. Contractual Obligations

The Fund has entered into contractual obligations to complete highway construction projects which are expected to be paid in the following fiscal years.

Obligation With	2015	2014
Anderson Rental & Paving Ltd.	$ 729,825	$ -
Tetra Tech EBA Ltd.	55,517	-
Whitford Construction Ltd.	385,000	-
Total	$ 1,170,342	$ -

6. Loans Receivable

The Fund provided loans of $0 in 2014 (2013 loans - $0; Total loans advanced to date - $3.293 million) in financial assistance to eligible Short Line Railway companies under *The Railway Line (Short Line) Financial Assistance Regulations*. The loans are interest free and to be paid back over 15 years, with the first repayment due in the fourth year.

The loans are accounted for as a discounted loan on the Statement of Financial Position. Due to the concessionary nature of the loan, the Fund recognized a discount of $0 in 2014 (2013 – $0). A concessionary allowance has been recorded and will be amortized to revenue over the term of the loan. The total concessionary allowance balance is $415,154 in 2014 (2013 - $506,013).

No valuation allowance was established in the current year. An allowance will be recorded if at any point the loan is not considered payable in full.

Short Line Rail Loan
Continuity Schedule
March 31, 2014

	LOANS			
Company Name	Beginning Balance	Additions	Repayments	Ending Balance
Westcan Rail (Sask.) Ltd.	$ 440,000		$ 73,333	$ 366,667
Fife Lake Railway Ltd.	70,000		10,000	60,000
Torch River Rail Inc	96,000			96,000
Great Sandhills	794,666			794,666
Last Mountain Rail	743,600		67,600	676,000
Long Creek Railroad	400,000			400,000
	$ 2,544,266	**$ -**	**$ 150,933**	**$ 2,393,333**

	CONCESSIONARY ALLOWANCE				
Company Name	Beginning Balance	Allowance Addition	Allowance Amortization	Ending Balance	Net Balance
Westcan Rail (Sask.) Ltd.	$ 53,304		$ 15,271	$ 38,033	**$ 328,634**
Fife Lake Railway Ltd.	10,159		2,525	7,634	**52,366**
Torch River Rail Inc	18,020		3,752	14,268	**81,732**
Great Sandhills	172,093		29,711	142,382	**652,284**
Last Mountain Rail	159,960		27,061	132,899	**543,101**
Long Creek Railroad	92,477		12,539	79,938	**320,062**
	$ 506,013	**$ -**	**$ 90,859**	**$ 415,154**	**$ 1,978,179**

7. Financial Risk Management

I. Credit Risk – The Fund is exposed to credit risk from the potential non-payment of accounts receivable and loans receivable.

II. Liquidity Risk – The Fund is at risk of encountering difficulty in meeting obligations associated with financial liabilities. The Fund enters into transactions to purchase goods and services on credit. The value subject to risk is $8,053.